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23 April 1952

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Major Items for Consideration in Connection with the 1954 Call for Estimates

1. In accordance with our recent discussion, I am listing below certain major items which I believe should be given consideration in connection with the formulation of the 1954 Call for Estimates. As it is not practicable to indicate here all the detailed background concerning each of the items, I will be glad to discuss any of them further with you after you have had a chance to review my comments.

2. Policy Directive

I believe it most important that every effort be made this year to secure from the Director a policy statement concerning expansion plans of the Agency for fiscal year 1954. Such a policy would be especially valuable to the support offices such as OCD, Personnel, Administrative Services, I & S, etc. I recently discussed this need briefly with Mr. Saunders and Colonel White, and Colonel White stated that he believed such a policy statement to be necessary and that he would make every effort to secure the determination from the Director. To secure same, however, I believe it desirable that a suggested policy statement be drafted to aid Colonel White and [REDACTED] in securing a Directive. In this connection, the recent policy of the Director pertaining to the personnel ceiling was predicated on the need for quality as compared with quantity expansion and determinations were reached based on the consideration of a monthly rate of accession. The approved figure in this instance was a rate of 250 per month. It might be possible to express such a monthly rate in terms of percentage and issue a policy that no office should reflect a rate of expansion in excess of this percentage unless special justification was provided.

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3. Organization Charts and Statements of Functions and Activities

In connection with the 1953 estimates, the Bureau of the Budget was provided with current organization charts for each office and detailed statements of functions and activities. Inasmuch as these are now on file in the Bureau of the Budget, [REDACTED] agreed that it would not be necessary to repeat the material in connection with the 1954 estimates except in those instances where a major reorganization had occurred. To date there have been no significant changes involving organization or functions except that currently underway involving the merger of OSO and OPC.

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The need to reflect this in connection with the 1954 estimates will be dependent, of course, on the extent to which it is accomplished by the time of the submission of the estimates to the Bureau of the Budget. Unless material progress is made in the next few months, it would seem advisable to develop the estimates and the supporting data separately for the two offices.

The understanding with [redacted] included the annual provision of a current statement of accomplishments and objectives. The purpose of this material would be to "fill the Budget Bureau in" on developments since the last submission. It is suggested, therefore, that every effort be made to prepare adequate statements, with special emphasis on accomplishments, including workload statistics wherever available. As usual, the Budget Bureau was interested in the material being complete and yet being stated as concisely as possible. To improve the readability in the limited time available to the Budget Bureau examiners, I believe it desirable to continue to develop the use of "outline approach" in this regard.

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#### 4. Policy on Budgeting for Operational Equipment

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It has been the general policy to estimate for operational equipment in the budget of the using office. For example, the special operational equipment required by OPC will be reflected in its estimates as part of the program cost.

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Based on the experience of the past year, it is my recommendation that these two exceptions no longer be followed and that all operational equipment be estimated for and included in the budgets of the using offices. The handling of the 1953 estimates demonstrated to me that it is easier to justify such needs when they are tied in with the basic program. For example, many questions were raised concerning the size of the Office of Communications budget because it was not clear at the outset that it included provision for the special operational needs in this area for OSO and OPC. I believe it most desirable, of course, that the Office of Communications and TSS be coordinated in the development of such estimates in order to take advantage of their technical knowledge in these fields. This would mean, in summary, that the Office of Communications would continue to budget for its own equipment requirements in connection with the base sta-

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tions, but that OPC, OSO, etc. would reflect in their budgets that communications equipment required in connection with the covert projects.

This entire problem was recently discussed at a meeting in Mr. Saunders' office at which [REDACTED] and representatives of TSS were present. Although definite conclusions were not reached, I believe it was the consensus of the group that TSS should budget only for research and development and for prototypes and that operational procurement should be budgeted under the using offices. On the other hand, there are many who feel that in the execution of the budget, that the funds should be allotted to the office having technical competence. For example, TSS would be allotted the funds for the procurement of the operational equipment even though it is not included in their budget. The same might be true of the Office of Communications and the Medical Office. To the extent that this is determined desirable, provision would have to be made, of course, for segregating such obligations and expenditures so that appropriate adjustments for comparability could be made in future budget estimates to reflect such under the estimates of the using offices.

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Before a final determination is made, I would suggest coordination with Commo, TSS and the operational offices. An early determination is desirable in order that if a change is made, that appropriate provision will be made in the estimates of OPC and OSO which are now being formulated.

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The above pertains, of course, to operational equipment as contrasted to normal departmental administrative supplies and equipment which are budgeted for by the Procurement Office. It has been the policy here to so budget for standard items, with non-standard items being provided for in the estimates of the using offices. In this connection, electric typewriters were considered non-standard in the 1953 estimates. Because of the current widespread use of electric typewriters, I believe it desirable that consideration be given to estimating for them in the Procurement budget beginning with fiscal year 1954 estimates.

#### 5. Provision for Past Year Costs (1952) in the 1954 Office Estimates

Because of the delayed time-table in the development of the 1953 estimates, it was possible to provide the offices with actual obligations for the past year. This raises a problem, however, in connection with the 1954 Call if estimates are to be submitted not later than 1 July. One alternative would be to use the cost figures developed in connection with the current allotment analysis. Another alternative would be to eliminate this column from the office submission and make provision for the analysts to provide this information in their summary tables and fact sheets prior to the Agency hearings.

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6. Determination of the Appropriate 1953 Base to be Used by the Offices in the Submission of Their 1954 Estimates

As we have discussed, there are three different figures that might be used in connection with the positions to serve as the 1953 base. These are the Budget Bureau allowance, the current Director's ceiling figure, or the present T/O. Some of the advantages and disadvantages of each are briefly as follows:

(a) Director's ceiling -- It is assumed that this figure will be subject to adjustment as need is shown during fiscal year 1953 and, therefore, would not provide a stable base. In turn, in many instances, it is lower than the Budget Bureau allowance for fiscal year 1953 and, therefore, offices would be justifying increases which had already been concurred in by the Bureau of the Budget.

(b) Budget Bureau allowance -- Although this would normally be the appropriate figure, it raises the question of policy of disclosing Budget Bureau approvals in some cases in excess of the present Director's ceiling. Although these figures have been disclosed where necessary, in consideration of specific requests for revisions in T/O and so forth, no general announcement has been made to the offices of the approved Budget Bureau figure. Also to be considered is the fact that the formal Budget Bureau allowance is on an overall basis by area, with the office breakdown merely representing its informal judgment respecting individual offices. We, therefore, would be giving up present flexibility in the application of the Budget Bureau allowance if specific figures were provided to the offices.

(c) Present T/O -- The use of the present T/O has the disadvantage that in some instances it is higher than the Director's ceiling and in other cases lower than the Budget Bureau allowance. After consideration of the problem, however, it is my recommendation that this is the best figure to use. It is an official figure, understood by all concerned, including the position structure represented within the total. Adjustments could readily be made later prior to the Budget Bureau submission to make the total figures consistent with the approved Budget Bureau allowance. It should be noted in connection with this, that adjustments would not have to be made for each individual office, but rather only in a few selected areas based on analysis, in order that the total, for example of the departmental area, will be in agreement with the approved Budget Bureau total. As indicated above, the Agency is not held to the informal office figures indicated to us by the Bureau of the Budget.

If it is determined to use the T/O figures as a base, the next question involves the manner in which the O1 costs will be computed. The usual approach would be to determine average employment based on on-duty as of 30 June 1952 plus one-half the existing vacan-

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cies (assuming a 6-month lapse in the filling of new positions). Another alternative would be to determine average employment and cost based on on-duty as of 30 June 1952 plus one-half the vacancies existing under the Director's ceiling. I believe that the latter, although somewhat more complicated, would be desirable except for the fact that it is assumed that adjustments will be made during the year to the ceiling figure. I believe, therefore, that the most practicable approach would be the first alternative with the general understanding within the Agency and with the Bureau of the Budget that the O1 costs reflected in the base might be less, depending upon action taken in connection with the Director's ceiling. As I have discussed with you, if you follow last year's approach, data concerning the 1953 base would be developed by the Budget Division and furnished to the offices. It is, therefore, largely a problem to be decided by the Budget Division inasmuch as the effects on the offices are the same.

In line with our discussion yesterday, appropriate attention must also be paid to the average salary used.

7. Special Procedure for OPC and OSO

It should be noted that the Call for Estimates represents a general procedure applicable to the normal situation in the Agency. Because of their special nature, it was necessary last year to informally work with OPC and OSO to prescribe a special format for the presentation of their requirements. I believe that you will want to take similar action this year.

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